

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

TOWNSHIP OF LYNDON

REPORT ON AUDIT
OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

TOWNSHIP OF LYNDON

TOWNSHIP OFFICIALS

Supervisor - Maryann Noah
Clerk - Linda Reilly
Treasurer - Mary Jane Maze

TOWNSHIP BOARD

Kathryn Francis
Mary Jane Maze
Maryann Noah
Linda Reilly
LeeAnn Shanahan

TOWNSHIP ATTORNEY

Keusch and Flintoff, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
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September 25, 2006

Board of Trustees
Township of Lyndon
17751 N. Territorial Road
Chelsea, Michigan 48118

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lyndon as of and for the year ended March 31, 2006, which collectively comprise the Township of Lyndon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Lyndon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lyndon as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 7 through 12 and 34 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lyndon's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis

March 31, 2006

Within this section of the Township of Lyndon's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township's net assets at the end of the fiscal year were \$1,443,044. This is a \$764,585 decrease over last year's net assets of \$2,207,629.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	<u>Governmental Activities</u>	
	<u>03/31/2005</u>	<u>03/31/2006</u>
Current and other assets	\$ 7,354,041	\$ 7,226,980
Capital assets	<u>204,626</u>	<u>197,547</u>
Total assets	7,558,667	7,424,527
Accounts payable and accrued expenses	103,806	1,078,530
Bonds payable	<u>5,247,232</u>	<u>4,902,953</u>
Total liabilities	5,351,038	5,981,483
Net assets:		
Invested in capital assets, net of related debt	204,626	197,547
Unrestricted	<u>2,003,003</u>	<u>1,245,497</u>
Total net assets	<u>\$ 2,207,629</u>	<u>\$ 1,443,044</u>

Summary of Changes in Net Assets

	Governmental Activities	
	<u>3/31/2005</u>	<u>3/31/2006</u>
Revenues:		
Program revenues		
Charges for services	\$ 73,738	\$ 245,886
Operating contributions	1,364,820	10,920
Capital grants	5,000	
General revenues		
State shared revenues	168,648	175,382
Property taxes	81,142	85,021
Interest income	436,082	275,450
Other income	4,099	10,386
Total revenues	<u>2,133,529</u>	<u>803,045</u>
Expenses		
General government	314,248	251,237
Fire protection	111,709	143,984
Sewer system project	2,613,930	960,137
Public works	19,388	20,115
Interest on long-term debt	196,111	192,157
Total expenses	<u>3,255,386</u>	<u>1,567,630</u>
Changes in net assets	(1,121,857)	(764,585)
Beginning net assets	<u>3,329,486</u>	<u>2,207,629</u>
Ending net assets	<u>\$ 2,207,629</u>	<u>\$ 1,443,044</u>

The Township had some major project costs during the year to create such a large decrease in net assets. This was to reimburse the county for construction costs with its joint venture with Sylvan Township.

Financial Analysis of the Township's Funds

Webster Township reported four major funds for the year ended March 31, 2006. These funds included:

- General Fund
- Fire Fund
- Multi-Lake Phase II Debt Service Fund
- Sugarloaf Debt Service Fund

The General Fund increased its fund balance by \$89,485. This increase from the prior year is primarily due to the lack of election costs and the write off of some developer escrows.

The Fire Fund had revenues over expenditures totaling \$38,379. This is typical for this fund as it receives special assessments virtually equal to the cost of contracting fire protection services.

The Multi-Lake Phase II Debt Service Fund had expenditures over revenues totaling \$35,972. This is typical for the debt service activity in this fund.

The final major fund, the Sugarloaf Debt Service fund had expenditures in excess of revenues of \$814,353 primarily due to the additional project costs of \$960,000 accrued to be paid over to the county construction fund.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made immaterial amendments in the unallocated and election activities. The Township exceeded appropriates only in the recycling activity.

Capital Asset and Debt Administration

The Township acquired or retired no capital assets during the year ended March 31, 2006.

A total of \$484,165 of principal was paid on the outstanding bonds payable debt of the Township and reducing the principal owed to \$4,902,953.

Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods. The Township will be continuing its effort to create reserves for future capital improvements.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Township of Lyndon at 17751 N. Territorial Road, Chelsea, MI 48118.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

TOWNSHIP OF LYNDON
STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,589,123
Receivables	
Taxes	20,271
Special assessments	3,572,725
State	29,054
Accounts	15,807
Capital assets - net of depreciation	<u>197,547</u>
Total assets	<u>7,424,527</u>
LIABILITIES	
Accounts payable	1,000,428
Accrued interest payable	78,102
Bonds payable	
Current	433,705
Non-current	<u>4,469,248</u>
Total liabilities	<u>5,981,483</u>
NET ASSETS	
Investment in capital assets, net of related debt	197,547
Unrestricted	<u>1,245,497</u>
Total net assets	<u>\$ 1,443,044</u>

The notes are an integral part of these financial statements.

TOWNSHIP OF LYNDON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES				
General government	\$ (251,237)	\$ 67,179	\$	\$ (184,058)
Fire protection	(143,984)	178,707		34,723
Sewer system project	(960,137)		10,920	(949,217)
Public works	(20,115)			(20,115)
Interest on long-term debt	(192,157)			(192,157)
Total governmental activities	<u>\$ 1,567,630</u>	<u>\$ 245,886</u>	<u>\$ 10,920</u>	<u>(1,310,824)</u>
General revenues				
Property taxes				85,021
State shared revenues				175,382
Unrestricted interest earnings				
Cash and equivalents				61,037
Special assessments				214,413
Other income				<u>10,386</u>
Total general revenues				<u>546,239</u>
Changes in net assets				(764,585)
Net assets, April 1, 2005				<u>2,207,629</u>
Net assets, March 31, 2006				<u>\$ 1,443,044</u>

The notes are an integral part of these financial statements.

FUND
FINANCIAL
STATEMENTS

TOWNSHIP OF LYNDON
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Multi-Lake Phase II Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 326,776	\$ 207,447	\$ 1,188,540
Receivables			
Special assessments			1,838,295
Taxes	8,966	11,305	
State shared revenues	29,054		
Accounts	15,433		
Due from other funds	<u>8,232</u>	<u>30,324</u>	<u>1,005</u>
Total assets	<u>\$ 388,461</u>	<u>\$ 249,076</u>	<u>\$ 3,027,840</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$	\$ 40,428	\$
Accrued interest			45,663
Matured bonds payable			178,205
Due to other funds	39,242		
Deferred revenues	<u></u>	<u></u>	<u>1,813,534</u>
Total liabilities	<u>39,242</u>	<u>40,428</u>	<u>2,037,402</u>
Fund Balance			
Unreserved	349,219		
Designated			
Debt service			990,438
Fire protection	<u></u>	<u>208,648</u>	<u></u>
Total fund balance	<u>349,219</u>	<u>208,648</u>	<u>990,438</u>
Total liabilities fund balance	<u>\$ 388,461</u>	<u>\$ 249,076</u>	<u>\$ 3,027,840</u>

The notes are an integral part of the financial statements.

<u>Sugarloaf Debt Service</u>	<u>Other Non-major Funds</u>	<u>Totals</u>
\$ 1,654,615	\$ 211,745	\$ 3,589,123
1,622,719	111,711	3,572,725
		20,271
		29,054
		15,433
<u>55</u>	<u></u>	<u>39,616</u>
<u>\$ 3,277,389</u>	<u>\$ 323,456</u>	<u>\$ 7,266,222</u>

\$ 960,000	\$	\$ 1,000,428
32,439		78,102
255,500		433,705
		39,242
<u>1,607,560</u>	<u>109,680</u>	<u>3,530,774</u>
<u>2,855,499</u>	<u>109,680</u>	<u>5,082,251</u>
	164,998	514,217
421,890	48,778	1,461,106
<u></u>	<u></u>	<u>208,648</u>
<u>421,890</u>	<u>213,776</u>	<u>2,183,971</u>
<u>\$ 3,277,389</u>	<u>\$ 323,456</u>	<u>\$ 7,266,222</u>

TOWNSHIP OF LYNDON
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
MARCH 31, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 2,183,971
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Historical cost	\$ 222,220	
Depreciation	<u>(24,673)</u>	
Capital assets, net of depreciation		197,547
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable (long-term portion)		(4,469,248)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		<u>3,530,774</u>
Net assets of governmental activities		<u>\$ 1,443,044</u>

The notes are an integral part of the financial statements.

LYNDON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Multi-Lake Phase II Debt Service</u>
REVENUES			
Taxes	\$ 85,021	\$	\$
Special assessments		169,327	277,670
Licenses and permits	18,478		
State shared revenues	175,382		
Grant - state			
Utility user fees			
Charges for services	48,701	9,380	
Interest	7,653	3,558	4,495
Miscellaneous	<u>8,514</u>	<u>98</u>	<u></u>
Total revenues	<u>343,749</u>	<u>182,363</u>	<u>282,165</u>
EXPENDITURES			
General government	239,341		
Fire protection		143,984	
Sewer project costs			
Public works	20,115		
Debt service	<u></u>	<u></u>	<u>318,137</u>
Total expenditures	<u>259,456</u>	<u>143,984</u>	<u>318,137</u>
Excess of revenues over (under) expenditures	84,293	38,379	(35,972)
OTHER FINANCING SOURCES (USES)			
Transfers in	5,192		
Transfers out	<u></u>	<u></u>	<u></u>
Total other financing sources (uses)	<u>5,192</u>	<u></u>	<u></u>
Net changes in fund balances	89,485	38,379	(35,972)
FUND BALANCE, - APRIL 1 2005	<u>259,734</u>	<u>170,269</u>	<u>1,026,410</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 349,219</u>	<u>\$ 208,648</u>	<u>\$ 990,438</u>

The notes are an integral part of the financial statements.

<u>Sugarloaf Debt Service</u>	<u>Other Non-major Funds</u>	<u>Totals</u>
\$ 461,828	\$ 21,587	\$ 85,021
		930,412
		18,478
		175,382
	10,920	10,920
		58,081
40,367	4,964	61,037
<u>1,774</u>		<u>10,386</u>
<u>503,969</u>	<u>37,471</u>	<u>1,349,717</u>
	4,817	244,158
		143,984
960,137		960,137
		20,115
<u>358,185</u>		<u>676,322</u>
<u>1,318,322</u>	<u>4,817</u>	<u>2,044,716</u>
(814,353)	32,654	(694,999)
		5,192
	<u>(5,192)</u>	<u>(5,192)</u>
	<u>(5,192)</u>	
(814,353)	27,462	(694,999)
<u>1,236,243</u>	<u>186,314</u>	<u>2,878,970</u>
<u>\$ 421,890</u>	<u>\$ 213,776</u>	<u>\$ 2,183,971</u>

TOWNSHIP OF LYNDON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Amounts reported for governmental activities in the Statement
of Activities are different because:

Net change in fund balances - governmental funds	\$ (694,999)
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Governmental funds report capital outlay as expenditures.
However, in the Statement of Activities the cost of those
assets is allocated over their useful lives as depreciation
expense.

Depreciation expense	(7,079)
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Repayment of bond and contracts payable is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the Statement of Net Assets

Repayment of:

Bonds payable	484,165
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Principal received on special assessments are income as they
are levied annually for governmental funds, but they are income
when they are levied for the Statement of Activities.

Principal collected on assessments	<u>(546,672)</u>
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Change in net assets of governmental activities	<u>\$ (764,585)</u>
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The notes are an integral part of the financial statements.

TOWNSHIP OF LYNDON
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2006

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSET			
Cash	\$ 38,065	\$ 21,712	\$ 59,777
Due from other funds	<u> </u>	<u>9,881</u>	<u>9,881</u>
Total assets	<u>\$ 38,065</u>	<u>\$ 31,593</u>	<u>\$ 69,658</u>
LIABILITIES			
Due to other funds	\$ 10,255	\$	\$ 10,255
Due to others	<u>27,810</u>	<u>31,593</u>	<u>59,403</u>
Total liabilities	<u>\$ 38,065</u>	<u>\$ 31,593</u>	<u>\$ 69,658</u>

NOTES
TO
FINANCIAL
STATEMENTS

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Lyndon is a general law township located in the northwest corner of Washtenaw County.

The accounting policies of the Township of Lyndon conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

LYNDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the Township's fire protection services. This fund is primarily funded through special assessments collected.

The Multi Lake Phase II Debt Service Fund accounts for the debt servicing activities related to the Township's participation in an area sewer authority. The debt is service from the special assessments collected to repay bonds issued.

The Sugarloaf Debt Service Fund accounts for the project costs and related debt service to connect residents to an area sewer authority. Special assessment bonds were issued to finance these connections.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

LYNDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk. The proposed budget is then submitted for discussion and approval by the entire Township board. The budget is approved by activity, rather than line by line. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings. Budget appropriations made but not expended by year end will lapse with the fiscal year end. Expenditures exceeded appropriations in the recycling activity.

E. PROPERTY TAXES

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2005 levy was assessed at an adjusted taxable value of \$109,889,652. The Township's general operating tax rate for the 2005 levy was .7454 mills. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. In May 2006, the county revolving fund paid the Township for the delinquent real taxes.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. DEPOSITS AND INVESTMENTS

The Township's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit union, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, bankers acceptances, and mutual funds composed of other wise legal investments.

I. RECEIVABLES

All receivables are reported at their net value by being reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

J. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

K. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond March 31, 2006, are recorded as prepaid expenditures

L. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) statement number 39, all funds, agencies, and activities of the Township of Lyndon as the primary government have been included in the financial statements.

The following potential component units has been evaluated under the criteria established by GASB statement number 39 and determined not to be component units based on financial independence and accountability:

1. Multi Lake Sewer and Water Authority - The Township of Lyndon appoints two members of the authority's six member board. The authority is fiscally independent from the township. The authority is audited as an independent entity in compliance with Public Act 2.
2. Chelsea Area Construction Agency - Lyndon Township appoints one member of the agency's six member board. The agency is fiscally independent from the township. The agency is audited as an independent entity in compliance with Public Act 2.
3. Leoni Regional Utility Authority - The authority is an interlocal agreement which includes several area townships. Lyndon Township appoints one member to the authority's board. The authority is audited as an independent entity in compliance with Public Act 2.
4. Sylvan Township Sewer and Water Authority - The Township of Lyndon appoints one member of the authority's five member board. The authority is fiscally independent from the township. The authority is a component unit of Sylvan Township, Washtenaw County.
5. Western Washtenaw Recycling Authority - The Township of Lyndon appoints one member of the authority's eight member board. The authority is fiscally independent from the township. The authority is audited as an independent entity in compliance with Public Act 2.

NOTE 3 - INTERFUND BALANCES

All interfund balances are short-term in character. Interfund transfers will be collected during the next reporting period. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 8,232	Current Tax Fund	\$ 8,232
Fire Fund	963	Current Tax Fund	963
Fire Fund	29,361	General Fund	29,361
Trust and Agency Fund	9,881	General Fund	9,881
Multi Lake Phase II			
Debt Service Fund	1,005	Current Tax Fund	1,005
Sugarloaf Debt Service Fund	<u>55</u>	Current Tax Fund	<u>55</u>
	<u>\$ 48,497</u>		<u>\$ 48,497</u>

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 4 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Public Employees Benefit Services Corporation (PEBSO). The assets of the plan are held in a trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance 4/1/05	<u>Additions</u>	<u>Deletions</u>	Balance 3/31/06
Land	\$ 108,310	\$	\$	\$ 108,310
Buildings and improvements	103,893			103,893
Equipment	<u>10,017</u>	<u> </u>	<u> </u>	<u>10,017</u>
Total capital assets	222,220			222,220
Accumulated depreciation	<u>(17,594)</u>	<u>(7,079)</u>	<u> </u>	<u>(24,673)</u>
Governmental activities capital asset, net	<u>\$ 204,626</u>	<u>\$ (7,079)</u>	<u>\$</u>	<u>\$ 197,547</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with these capital assets. Depreciation expense was allocated to the following activities:

General government	<u>\$ 7,079</u>
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TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - LONG-TERM DEBT

The following is a summary of Township special assessment debt for the year ended March 31, 2006:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 3/31/06</u>
Bonds payable to the County of Washtenaw used to finance Multi Lake Sanitary Sewer System Phase II; interest charged at 3.0% to 5.0% matures 2020.	\$ 2,484,963		207,905	2,277,058
Bonds payable to the county of Washtenaw used to finance Sylvan Township water and sewer authority sewer system. Interest charged at 1.38% to 4.375% and matures in 2022.	<u>2,468,450</u>		<u>276,260</u>	<u>2,192,190</u>
	<u>\$ 4,953,413</u>	<u>\$</u>	<u>\$ 484,165</u>	<u>\$ 4,469,248</u>

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - LONG-TERM DEBT (continued)

The following is a schedule of principal and interest payments to service the long-term obligation of the Township:

<u>Years</u>	<u>County of Washtenaw Multi Lake Sanitary Sewer System Bonds II</u>		<u>County of Washtenaw Sugar Loaf Sewer Bonds Sewer System Bonds I</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 178,205	\$ 106,473	\$ 255,500	\$ 81,048	\$ 433,705	\$ 187,521
2008	178,205	99,790	255,500	74,660	433,705	174,450
2009	178,205	92,550	255,500	68,273	433,705	160,823
2010	178,205	85,089	153,300	62,780	331,505	147,869
2011	158,404	77,837	153,300	57,989	311,704	135,826
2012 - 2016	792,020	284,117	569,765	224,397	1,361,785	508,514
2017 - 2021	792,021	86,329	574,875	109,513	1,366,896	195,842
2022 - 2023			229,950	10,017	229,950	10,017
Total	2,455,265	832,185	2,447,690	688,677	4,902,955	1,520,862
Less: current portion recorded in debt service fund	<u>(178,205)</u>	<u>(45,663)</u>	<u>(255,500)</u>	<u>(324,918)</u>	<u>(433,705)</u>	<u>(370,581)</u>
Total	<u>\$2,277,060</u>	<u>\$ 786,522</u>	<u>\$ 2,192,190</u>	<u>\$ 363,759</u>	<u>\$ 4,469,250</u>	<u>\$ 1,150,281</u>

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 7 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board is in accordance with Act 196 PA 1997. The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 400,000	\$ 400,000
Uninsured and uncollateralized	<u>3,248,900</u>	<u>3,531,325</u>
Total deposits	<u>\$ 3,648,900</u>	<u>\$ 3,931,325</u>

The carrying amount above includes funds from:

Primary government	\$ 3,589,123
Fiduciary funds	<u>59,777</u>
	<u>\$ 3,648,900</u>

TOWNSHIP OF LYNDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 8 - STATE GRANT ACTIVITIES

The Township of Lyndon was a recipient of a grant from the State of Michigan in the previous year. The grant received is still subject to financial and compliance by the grantors or their representatives.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWNSHIP OF LYNDON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 78,000	\$ 78,000	\$ 85,021	\$ 7,021
Licenses and permits	15,200	15,200	18,478	3,278
State shared revenues	173,409	173,409	175,382	1,973
Charges for services	42,500	42,500	48,701	6,201
Miscellaneous revenues	6,800	6,800	16,167	9,367
Total revenues	315,909	315,909	343,749	27,840
EXPENDITURES				
Township board	51,735	51,735	47,369	4,366
Supervisor	26,650	26,650	24,501	2,149
Elections	15,600	11,600	4,842	6,758
Ordinance officer	21,534	21,534	17,537	3,997
Assessor	25,700	25,700	24,536	1,164
Clerk	32,050	32,050	28,897	3,153
Board of review	1,850	1,850	1,207	643
Treasurer	35,200	35,200	29,259	5,941
Township hall and grounds	21,550	21,550	16,028	5,522
Unallocated	41,550	45,550	37,469	8,081
Planning commission	8,300	8,300	5,921	2,379
Zoning board of appeals	3,750	3,750	1,775	1,975
Recycling	4,000	4,000	6,254	(2,254)
Landfill closing	5,000	5,000	1,231	3,769
Roads	15,000	15,000	12,630	2,370
Total expenditures	309,469	309,469	259,456	50,013
Excess of revenues (over) expenditures	6,440	6,440	84,293	77,853
OTHER FINANCING SOURCES				
Transfers in			5,192	5,192
Net changes in fund balances	6,440	6,440	89,485	83,045
FUND BALANCE, APRIL 1, 2005	259,734	259,734	259,734	
FUND BALANCE, MARCH 31, 2006	\$ 266,174	\$ 266,174	\$ 349,219	\$ 83,045

LYNDON TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special assessments	\$	\$	\$ 169,327	\$
Fire runs			9,380	
Interest			3,558	
			98	
Total revenues	<u>164,081</u>	<u>164,081</u>	<u>182,363</u>	<u>18,282</u>
EXPENDITURES				
Fire authority contract			132,296	
Equipment fund			10,227	
Meeting fees			1,300	
Transportation			161	
Total expenditures	<u>108,200</u>	<u>108,200</u>	<u>143,984</u>	<u>(35,784)</u>
Excess of revenues over (under) expenditures	55,881	55,881	38,379	(17,502)
FUND BALANCE, APRIL 1, 2005	<u>170,269</u>	<u>170,269</u>	<u>170,269</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 226,150</u>	<u>\$ 226,150</u>	<u>\$ 208,648</u>	<u>\$ (17,502)</u>

SUPPLEMENTARY
INFORMATION

COMBINING
STATEMENTS

TOWNSHIP OF LYNDON
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	<u>Fire Fund</u>	<u>Public Improvement Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 207,447	\$ 164,998	\$ 372,445
Taxes receivable	11,305		11,305
Due from other funds	<u>30,324</u>		<u>30,324</u>
Total assets	<u>\$ 249,076</u>	<u>\$ 164,998</u>	<u>\$ 414,074</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 40,428	\$	\$ 40,428
FUND BALANCE	<u>208,648</u>	<u>164,998</u>	<u>373,646</u>
Total liabilities and fund balance	<u>\$ 249,076</u>	<u>\$ 164,998</u>	<u>\$ 414,074</u>

TOWNSHIP OF LYNDON
ALL DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	Multi-Lake Phase I Debt Service Fund	Multi-Lake Phase II Debt Service Fund	Sugarloaf Debt Service Fund	Totals
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 46,747	\$ 1,188,540	\$ 1,654,615	\$ 2,889,902
Due from other funds		1,005	55	1,060
Due from county	2,031	24,761	15,159	41,951
Special assessment receivable	<u>109,680</u>	<u>1,813,534</u>	<u>1,607,560</u>	<u>3,530,774</u>
Total assets	<u>\$ 158,458</u>	<u>\$ 3,027,840</u>	<u>\$ 3,277,389</u>	<u>\$ 6,463,687</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$	\$	\$ 960,000	\$ 960,000
Deferred revenue	109,680	1,813,534	1,607,560	3,530,774
Accrued interest payable		45,663	32,439	78,102
Bond payable	<u></u>	<u>178,205</u>	<u>255,500</u>	<u>433,705</u>
Total liabilities	109,680	2,037,402	2,855,499	5,002,581
FUND BALANCE				
Fund balance	<u>48,778</u>	<u>990,438</u>	<u>421,890</u>	<u>1,461,106</u>
Total liabilities and fund balance	<u>\$ 158,458</u>	<u>\$ 3,027,840</u>	<u>\$ 3,277,389</u>	<u>\$ 6,463,687</u>

TOWNSHIP OF LYNDON
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSET			
Cash	\$ 38,065	\$ 21,712	\$ 59,777
Due from other funds	<u> </u>	<u>9,881</u>	<u>9,881</u>
Total assets	<u>\$ 38,065</u>	<u>\$ 31,593</u>	<u>\$ 69,658</u>
LIABILITIES			
Due to other funds	\$ 10,255	\$	\$ 10,255
Due to others	<u>27,810</u>	<u>31,593</u>	<u>59,403</u>
Total liabilities	<u>\$ 38,065</u>	<u>\$ 31,593</u>	<u>\$ 69,658</u>

TOWNSHIP OF LYNDON
ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Fire Fund</u>	<u>Waste Fund</u>	<u>Public Improvement Fund</u>	<u>Totals</u>
<u>REVENUES</u>				
REVENUES				
Special assessments	\$ 169,327	\$	\$	\$ 169,327
Fire run charges	9,380			9,380
Miscellaneous	98			98
Interest	<u>3,558</u>	<u>8</u>	<u>4,603</u>	<u>8,169</u>
Total revenues	<u>182,363</u>	<u>8</u>	<u>4,603</u>	<u>186,974</u>
EXPENDITURES				
Fire protection	143,984			143,984
Project costs - township hall	<u></u>	<u></u>	<u>4,817</u>	<u>4,817</u>
Total expenditures	<u>143,984</u>	<u></u>	<u>4,817</u>	<u>148,801</u>
Excess of revenues over (under) expenditures	38,379	8	(214)	38,173
OTHER FINANCING (USES)				
Transfers (out)	<u></u>	<u>(5,192)</u>	<u></u>	<u>(5,192)</u>
Net changes in fund balances	38,379	(5,184)	(214)	32,981
FUND BALANCE, APRIL 1, 2005	<u>170,269</u>	<u>5,184</u>	<u>165,212</u>	<u>340,665</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 208,648</u>	<u>\$</u>	<u>\$ 164,998</u>	<u>\$ 373,646</u>

TOWNSHIP OF LYNDON
ALL DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006

	Multi-Lake Phase I Debt Service Fund	Multi Lake Phase II Debt Service Fund	Sugarloaf Debt Service Fund	Totals
REVENUES				
Special assessments – principal	\$ 13,710	\$ 166,759	\$ 366,204	\$ 546,673
Special assessment – interest	7,877	110,911	95,624	214,412
User fees	10,920			10,920
Miscellaneous			1,774	1,774
Interest	<u>353</u>	<u>4,495</u>	<u>40,367</u>	<u>45,215</u>
Total revenues	<u>32,860</u>	<u>282,165</u>	<u>503,969</u>	<u>818,994</u>
EXPENDITURES				
Project costs			960,137	960,137
Debt service				
Principal		207,905	276,260	484,165
Interest	<u></u>	<u>110,232</u>	<u>81,925</u>	<u>192,157</u>
Total expenditures	<u></u>	<u>318,137</u>	<u>1,318,322</u>	<u>1,636,459</u>
Excess of revenues over (under) expenditures	32,860	(35,972)	(814,353)	(817,465)
FUND BALANCE, APRIL 1, 2005	<u>15,918</u>	<u>1,026,410</u>	<u>1,236,243</u>	<u>2,278,571</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 48,778</u>	<u>\$ 990,438</u>	<u>\$ 421,890</u>	<u>\$ 1,461,106</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

TOWNSHIP OF LYNDON
GENERAL FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 326,776
Accounts receivable – projects	15,433
Taxes receivable	8,966
State shared revenue receivable	29,054
Due from other fund	<u>8,232</u>

Total assets \$ 388,461

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds \$ 39,242

FUND BALANCE

349,219

Total liabilities and fund balance \$ 388,461

TOWNSHIP OF LYNDON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 78,000	\$ 85,021	\$ 7,021
Licenses and permits	15,200	18,478	3,278
State shared revenues	173,409	175,382	1,973
Charges for services	42,500	48,701	6,201
Miscellaneous revenues	<u>6,800</u>	<u>16,167</u>	<u>9,367</u>
Total revenues	<u>315,909</u>	<u>343,749</u>	<u>27,840</u>
EXPENDITURES			
Township board	51,735	47,369	4,366
Supervisor	26,650	24,501	2,149
Elections	11,600	4,842	6,758
Ordinance officer	21,534	17,537	3,997
Assessor	25,700	24,536	1,164
Clerk	32,050	28,897	3,153
Board of review	1,850	1,207	643
Treasurer	35,200	29,259	5,941
Township hall and grounds	21,550	16,028	5,522
Unallocated	45,550	37,469	8,081
Planning commission	8,300	5,921	2,379
Zoning board of appeals	3,750	1,775	1,975
Recycling	4,000	6,254	(2,254)
Landfill closing	5,000	1,231	3,769
Roads	<u>15,000</u>	<u>12,630</u>	<u>2,370</u>
Total expenditures	<u>309,469</u>	<u>259,456</u>	<u>50,013</u>
Excess of revenues (over) expenditures	6,440	84,293	77,853
OTHER FINANCING SOURCES			
Transfers in	<u> </u>	<u>5,192</u>	<u>5,192</u>
Net changes in fund balances	6,440	89,485	83,045
FUND BALANCE, APRIL 1, 2005	<u>259,734</u>	<u>259,734</u>	<u> </u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 266,174</u>	<u>\$ 349,219</u>	<u>\$ 83,045</u>

TOWNSHIP OF LYNDON
GENERAL FUND
STATEMENT OF REVENUES - AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TAXES			
Current property taxes	\$ 78,000	\$ 85,021	\$ 7,021
LICENSES AND PERMITS	15,200	18,478	3,278
STATE SHARED REVENUES	173,409	175,382	1,973
CHARGES FOR SERVICES			
Elections		4,110	
Various fees		2,386	
Property tax administration fees		42,205	
Total charges for services	42,500	48,701	6,201
MISCELLANEOUS REVENUES			
Metro Act		2,960	
Interest on investments		7,653	
Swamp income		2,711	
Miscellaneous		2,843	
Total miscellaneous revenues	6,800	16,167	9,367
Total revenues	\$ 315,909	\$ 343,749	\$ 27,840

TOWNSHIP OF LYNDON
GENERAL FUND
STATEMENT OF EXPENDITURES - AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Trustee fee	\$	\$ 10,139	\$
Clerical staff		13,356	
Office supplies		2,829	
Audit		4,500	
Legal		12,798	
Computer software		972	
Computer consulting		699	
Transportation		355	
Engineering		210	
Miscellaneous		261	
Printing and publication		1,250	
	<u>51,735</u>	<u>47,369</u>	<u>4,366</u>
Total township board			
SUPERVISOR			
Supervisor salary		20,800	
Special meeting		2,860	
Office supplies		132	
Printing and publication		166	
Telephone		29	
Transportation		514	
	<u>26,650</u>	<u>24,501</u>	<u>2,149</u>
Total supervisor			
ELECTIONS			
Wages		3,906	
Office supplies		647	
Transportation		197	
Printing and publication		92	
	<u>11,600</u>	<u>4,842</u>	<u>6,758</u>
Total elections			
ORDINANCE OFFICER			
Wages		12,696	
Special meeting		880	
Permits		3,470	
Office supplies		220	
Transportation		271	
	<u>21,534</u>	<u>17,537</u>	<u>3,997</u>
Total ordinance officer			

TOWNSHIP OF LYNDON
GENERAL FUND
STATEMENT OF EXPENDITURES - AMENDED BUDGET AND ACTUAL - (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSOR			
Assessor wages and fees		23,750	
Supplies and postage		<u>786</u>	
Total assessor	<u>25,700</u>	<u>24,536</u>	<u>1,164</u>
CLERK			
Clerk salary		23,300	
Special meetings		1,365	
Assistant		2,646	
Supplies and postage		897	
Transportation		141	
Printing and publication		504	
Miscellaneous		<u>44</u>	
Total clerk	<u>32,050</u>	<u>28,897</u>	<u>3,153</u>
BOARD OF REVIEW			
Wages		1,058	
Printing and publication		<u>149</u>	
Total board of review	<u>1,850</u>	<u>1,207</u>	<u>643</u>
TREASURER			
Treasurer salary		22,300	
Assistant salary		3,468	
Special meetings		1,430	
Supplies and postage		1,495	
Transportation		191	
Printing and publications		<u>375</u>	
Total treasurer	<u>35,200</u>	<u>29,259</u>	<u>5,941</u>
TOWNSHIP HALL AND GROUNDS			
Wages		1,454	
Maintenance		7,158	
Supplies		190	
Communications		2,967	
Internet		538	
Utilities			
Gas		2,064	
Electric		1,201	
Miscellaneous		<u>456</u>	
Total township hall and grounds	<u>21,550</u>	<u>16,028</u>	<u>5,522</u>

TOWNSHIP OF LYNDON
GENERAL FUND
STATEMENT OF EXPENDITURES - AMENDED BUDGET AND ACTUAL - (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
UNALLOCATED			
Wages		3,189	
Taxes - payroll		9,102	
Maintenance		1,235	
Membership and dues		2,572	
Insurance and bonds		13,644	
Education and seminars		3,755	
Equipment rental		3,336	
Tax chargebacks		244	
Miscellaneous		<u>392</u>	
Total unallocated	<u>45,550</u>	<u>37,469</u>	<u>8,081</u>
PLANNING COMMISSION			
Wages		3,870	
Miscellaneous		98	
Special projects		563	
Printing and publication		<u>1,390</u>	
Total planning and zoning	<u>8,300</u>	<u>5,921</u>	<u>2,379</u>
ZONING BOARD OF APPEALS			
Fees		1,516	
Printing and postage		<u>259</u>	
Total zoning board of appeals	<u>3,750</u>	<u>1,775</u>	<u>1,975</u>
LANDFILL CLOSING	<u>5,000</u>	<u>1,231</u>	<u>3,769</u>
RECYCLING	<u>4,000</u>	<u>6,254</u>	<u>(2,254)</u>
ROADS	<u>15,000</u>	<u>12,630</u>	<u>2,370</u>
Total expenditures	<u>\$ 309,469</u>	<u>\$ 259,456</u>	<u>\$ 50,013</u>

FIRE
FUND

LYNDON TOWNSHIP
FIRE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 207,447
Taxes receivable	11,305
Due from other funds	<u>30,324</u>

Total current assets

\$ 249,076

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 40,428
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FUND BALANCE

208,648

Total liabilities and fund balance

\$ 249,076

LYNDON TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$	\$ 169,327	\$
Fire runs		9,380	
Interest		3,558	
Miscellaneous		<u>98</u>	
Total revenues	<u>164,081</u>	<u>182,363</u>	<u>18,282</u>
EXPENDITURES			
Fire authority contract		132,296	
Equipment fund		10,227	
Meeting fees		1,300	
Transportation		<u>161</u>	
Total expenditures	<u>108,200</u>	<u>143,984</u>	<u>(35,784)</u>
Excess of revenues over (under) expenditures	55,881	38,379	(17,502)
FUND BALANCE, APRIL 1, 2005	<u>170,269</u>	<u>170,269</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 226,150</u>	<u>\$ 208,648</u>	<u>\$ (17,502)</u>

WASTE
FUND

LYNDON TOWNSHIP
WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES	
Interest	\$ 8
OTHER FINANCING (USES)	
Transfer (out)	<u>(5,192)</u>
Net changes in fund balance	(5,184)
FUND BALANCE, APRIL 1, 2005	<u>5,184</u>
FUND BALANCE, MARCH 31, 2006	<u><u>\$</u></u>

PUBLIC
IMPROVEMENT
FUND

LYNDON TOWNSHIP
PUBLIC IMPROVEMENT FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS
Cash

\$ 164,998

FUND BALANCE

FUND BALANCE

\$ 164,998

TOWNSHIP OF LYNDON
PUBLIC IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ 1,000	\$ 4,603	\$ 3,603
EXPENDITURES			
Project costs – township hall	<u> </u>	<u>4,817</u>	<u>(4,817)</u>
Excess of revenues over (under) expenditures	1,000	(214)	(1,214)
OTHER FINANCING SOURCE			
Transfer in	<u>30,000</u>	<u> </u>	<u>(30,000)</u>
Net changes in fund balances	31,000	(214)	(31,214)
FUND BALANCE, APRIL 1, 2005	<u>165,212</u>	<u>165,212</u>	<u> </u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 196,212</u>	<u>\$ 164,998</u>	<u>\$ (31,214)</u>

MULTI LAKE
PHASE I
DEBT
SERVICE
FUND

TOWNSHIP OF LYNDON
MULTI LAKE PHASE I DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS		
Cash	\$ 46,747	
Due from county	<u>2,031</u>	
Total current assets		\$ 48,778
DEFERRED SPECIAL ASSESSMENT RECEIVABLE		<u>109,680</u>
Total assets		<u>\$ 158,458</u>

LIABILITIES AND FUND BALANCE

LIABILITIES		
Deferred revenues		\$ 109,680
RESERVED FUND BALANCE		<u>48,778</u>
Total liabilities and fund balance		<u>\$ 158,458</u>

TOWNSHIP OF LYNDON
MULTI LAKE PHASE I DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Special assessments – principal	\$ 13,710
Special assessments – interest	7,877
User fees	10,920
Interest	<u>353</u>
Total revenues	32,860

EXPENDITURES

Excess of revenues over (under) expenditures	<u>32,860</u>
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FUND BALANCE, APRIL 1, 2005	<u>15,918</u>
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FUND BALANCE, MARCH 31, 2006	<u><u>\$ 48,778</u></u>
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MULTI LAKE
PHASE II
DEBT
SERVICE
FUND

TOWNSHIP OF LYNDON
MULTI LAKE PHASE II DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 1,188,540	
Due from other funds	1,005	
Due from county	<u>24,761</u>	
Total current assets		\$ 1,214,306
Deferred special assessment receivable		<u>1,813,534</u>
Total assets		<u>\$ 3,027,840</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues	\$ 1,813,534	
Accrued interest payable	45,663	
Bond payable	<u>178,205</u>	
Total liabilities		\$ 2,037,402

RESERVED FUND BALANCE

		<u>990,438</u>
Total liabilities and fund balance		<u>\$ 3,027,840</u>

TOWNSHIP OF LYNDON
MULTI LAKE PHASE II DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Special assessments – principal	\$ 166,759
Special assessments – interest	110,911
Interest	<u>4,495</u>

Total revenues	<u>282,165</u>
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EXPENDITURES

Bond payment – principal	207,905
Bond payment – interest/fees	<u>110,232</u>

Total expenditures	<u>318,137</u>
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Excess of revenues over (under) expenditures	(35,972)
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FUND BALANCE, APRIL 1, 2005	<u>1,026,410</u>
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FUND BALANCE, MARCH 31, 2006	<u><u>\$ 990,438</u></u>
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SUGARLOAF
DEBT
SERVICE
FUND

TOWNSHIP OF LYNDON
SUGARLOAF DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 1,654,615	
Due from county	15,159	
Due from other funds	<u>55</u>	
Total current assets		\$ 1,669,829
Deferred special assessment receivable		<u>1,607,560</u>
Total assets		<u>\$ 3,277,389</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 960,000	
Accrued interest payable	32,439	
Matured bonds payable	255,500	
Deferred revenues	<u>1,607,560</u>	
Total liabilities		\$ 2,855,499

RESERVED FUND BALANCE		<u>421,890</u>
Total liabilities and fund balance		<u>\$ 3,277,389</u>

TOWNSHIP OF LYNDON
SUGARLOAF DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Special assessments – principal	\$ 366,204
Special assessments – interest	95,624
Interest income	40,367
Miscellaneous income	<u>1,774</u>
Total revenues	<u>503,969</u>

EXPENDITURES

Bond payment - principal	276,260
Bond payment - interest	81,925
Project costs – sewer	<u>960,137</u>
Total expenditures	<u>1,318,322</u>

Excess of revenues over (under) expenditures	(814,353)
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FUND BALANCE, APRIL 1, 2005	<u>1,236,243</u>
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FUND BALANCE, MARCH 31, 2006	<u><u>\$ 421,890</u></u>
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CURRENT
TAX
COLLECTION
FUND

TOWNSHIP OF LYNDON
CURRENT TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS
Cash

\$ 38,065

LIABILITIES

LIABILITIES
Due to other funds
Due to others

\$ 10,255
27,810

Total liabilities

\$ 38,065

TRUST
AND
AGENCY
FUND

TOWNSHIP OF LYNDON
TRUST AND AGENCY FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash

\$ 21,712

Due from other funds

9,881

Total assets

\$ 31,593

LIABILITIES

LIABILITIES

Due to others

\$ 31,593

TOWNSHIP OF LYNDON

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2006



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

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MACPA

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September 25, 2006

Board of Trustees
Township of Lyndon
17751 N. Territorial Road
Chelsea, Michigan 48118

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Township of Lyndon for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency.

- The Board should be aware of the new accounting pronouncements concerning the recording of post retirement benefits other than pensions.
- With the current short term rise in interest rates the Township should review its investment strategy consistent with its investment policy.
- The Debt Service Funds should be reviewed annually to determine an adequacy of resources to service the bond interest and principle.

RECURRING COMMENTS FROM PRIOR AUDIT PERIODS

- The Trust and Agency Fund was not reconciled during the year.

This letter does not affect our report dated September 25, 2006, on the financial statements of the Township of Lyndon.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience.

This report is intended solely for the information and use of the Township Board and is not intended to be and should not be used by any other party.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants